218646

SLOVER & LOFTUS
ATTORNEYS AT LAW
1224 SEVENTEENTH STREET, N. W.
WASHINGTON, D. C. 20036-3003

WILLIAM L. SLOVER
C. MICHAEL LOFTUS
JOHN H. LE SEUR
KELVIN J. DOWD
ROBERT D. ROSENBERG
CHRISTOPHER A. MILLS
FRANK J. PERGOLIZZI
ANDREW B. KOLESAR III
PETER A. PFOHL
DANIEL M. JAFFE
STEPHANIE M. PISANELLI

OF COUNSEL
DONALD G. AVERY

TELEPHONE:
(202) 347-7170

FAX:
(202) 347-3619

WRITER'S E-MAIL:
kjd@sloverandloftus.com

February 16, 2007

VIA HAND DELIVERY

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Case Control Unit
1925 K Street, N.W.
Washington, DC 20423

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Office of Proceedings
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Re: Docket No. 41191 (Sub-No. 1), AEP Texas North Company v. BNSF Railway Company

Dear Secretary Williams:

Enclosed for filing in the referenced proceeding are an original and sixteen (16) copies of the Opening Third Supplemental Evidence of Complainant AEP Texas North Company. A CD containing the Narrative and Exhibits is included.

Also enclosed is a DVD which contains the electronic and other workpapers supporting the calculations summarized in the Narrative. These workpapers contain "highly confidential" information, and therefore the DVD is being filed **UNDER SEAL**, in accordance with the governing Protective Order.

Kindly acknowledge receipt and filing of these materials by date-stamping the extra copy of this filing and returning it to our messenger.

Sincerely,

Kelvin J. Dowd
An attorney for AEP Texas North Company

Enclosures

BEFORE THE
SURFACE TRANSPORTATION BOARD

218446

AEP TEXAS NORTH COMPANY	)	
Complainant,	)	
v.	)	**Docket No. 41191 (Sub-No. 1)**
BNSF RAILWAY COMPANY	)	
Defendant.	)	

OPENING THIRD SUPPLEMENTAL EVIDENCE OF COMPLAINANT AEP TEXAS NORTH COMPANY

NARRATIVE AND EXHIBITS

AEP TEXAS NORTH
COMPANY
1 Riverside Plaza
Columbus, Ohio 43215

By: David M. Cohen, Senior Counsel
AEP Texas North Company
155 West Nationwide Boulevard
Suite 500
Columbus, Ohio 43215

OF COUNSEL:

Slover & Loftus
1224 Seventeenth St., N.W.
Washington, D.C. 20036

William L. Slover
Kelvin J. Dowd
Christopher A. Mills
Daniel M. Jaffe
Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036

Attorneys and Practitioners

Dated: February 16, 2007

BEFORE THE
SURFACE TRANSPORTATION BOARD

AEP TEXAS NORTH COMPANY	)	
Complainant,	)	
v.	)	**Docket No. 41191 (Sub-No.1)**
BNSF RAILWAY COMPANY	)	
Defendant.	)	

OPENING THIRD SUPPLEMENTAL EVIDENCE OF COMPLAINANT AEP TEXAS NORTH COMPANY

Complainant, AEP Texas North Company ("AEP Texas"), hereby submits its Opening Third Supplemental Evidence, in compliance with the Board's Orders served November 8, 2006 ("*November 8 Order*") and November 22, 2006 ("*November 22 Order*"). Therein, the Board directed AEP Texas and Defendant, BNSF Railway Company ("BNSF"), to submit revised evidence concerning variable costs and certain components of stand-alone costs for the rail transportation of Powder River Basin ("PRB") coal to AEP Texas' Oklaunion Generating Station at issue in this case, taking into account the methodological changes announced by the Board in Ex Parte No. 657

(Sub-No.1), *Major Issues in Rail Rate Cases*, Decision served October 30, 2006. [1]

I. INTRODUCTION

This maximum rate proceeding was initiated on August 11, 2003, and the evidentiary record for both sides' cases-in-chief, including final briefs, was completed and presumably closed on June 9, 2005. However, on February 27, 2006, only *eleven days* before expiration of the statutory deadline for a final decision in this case, [2] the Board opened *Ex Parte No. 657 (Sub-No. 1)*, and announced both that this proceeding would not be concluded by the deadline, and that the Board intended to apply the results of that rulemaking in this case. *Id.*, Decision served February 27, 2006 at 3.

In comments submitted both in its individual capacity and as a member of the Concerned Captive Coal Shippers, AEP Texas objected to the conduct of *Ex Parte No. 657 (Sub-No.1)* as a vehicle for considering changes in components of the Board's application of the *Coal Rate Guidelines*, [3] and to the Board's plans to call for more rounds

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[1] AEP Texas has petitioned for review and vacation of the Board's decision before the U.S. Court of Appeals for the District of Columbia Circuit, on grounds that various elements of the Board's action were arbitrary, capricious, unsupported by substantial evidence in the record, or otherwise contrary to law. Case No. 06-1409, *AEP Texas North Company v. Surface Transportation Board and United States*. AEP Texas is making the instant submission to comply with the *November 8 Order* and *November 22 Order*, and this filing is without waiver of or prejudice to any and all arguments that AEP Texas may raise on appeal.

[2] *See* 49 U.S.C. §10704(c)(1).

[3] *Coal Rate Guidelines, Nationwide*, 1 I.C.C. 2d 520 (1985), *aff'd sub nom., Consolidated Rail Corp. v. United States*, 812 F.2d 1444 (3rd Cir. 1987).

of evidence and apply the outcome of the new proceeding in this case. [4] However, the Board ruled otherwise. Despite the submission of thousands of pages of testimony and argument by some fifty (50) different parties, the Board's October 30, 2006 decision in *Ex Parte No. 657 (Sub-No.1)* adopted virtually all of the changes proposed in its February 27 Decision without modification. Subsequently, the *November 8 Order* and *November 22 Order* directed this submission, without meaningful discussion of AEP Texas' contrary views.

Herein, AEP Texas presents the variable and stand-alone cost data called for in the *November 8 Order*, based upon the evidence of record as supplemented by discovery conducted subsequent to the *November 22 Order*, and applying the three methodological changes adopted in *Ex Parte No. 657 (Sub-No.1)* which were identified in the *November 8 Order*. Specifically:

1. Variable costs are calculated on a system average basis, using the Uniform Rail Costing System (URCS) Phase III model.

2. Revenues derived from cross-over traffic are allocated using the Average Total Cost (ATC) methodology, in lieu of the Modified Straight-Mileage Prorate (MSP) formula that had been consistently employed in prior coal rate proceedings.

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[4] *See, e.g. Joint Opening Comments of Western Coal Traffic League, Et Al.*, May 1, 2006 at 3-8; *Opening Comments of AEP Texas North Company*, May 1, 2006 at 5-7.

3. Variable costs are calculated for the issue and non-issue traffic comprising the TNR[5] traffic group, to support the determination of rate relief under the Maximum Markup Methodology (MMM).

It bears re-affirmation that AEP Texas is making this submission to comply with the *November 8 Order* and the *November 22 Order*. AEP Texas does not believe that it is either proper or equitable for the Board to adjudicate this case under the auspices of the variable cost and revenue allocation features of the new *Ex Parte No. 657 (Sub-No. 1)* rules, which were adopted some seven (7) months after the statutory due date for a final Board decision on the merits passed, and as to which AEP Texas had no notice prior to the assembly and presentation of its case-in-chief.

II. VARIABLE COSTS

A. Movement-Specific Variable Costs Should be Used for Jurisdictional Threshold Purposes

Throughout this proceeding, AEP Texas has based it variable cost calculations on the movement-specific approach. This method has been re-affirmed by the Board and its predecessor for decades as preferable to and more accurate than a system average approach when the traffic at issue is unit train coal traffic, which is widely acknowledged to be more efficient and less costly on a service unit basis than "average" freight service. AEP Texas' evidence is based on traffic, operating and cost data specific

[5] AEP Texas' stand-alone railroad was designated the Texas & Northern Railroad, or "TNR".

to its coal movement, as produced by BNSF in discovery. As most recently calculated prior to this filing, the variable cost of BNSF service from the Eagle Butte Mine to Oklaunion was $7.16 per ton, at 1Q04 wage and price levels.[6] As shown in Exhibit OTS-1, the corresponding figure is $8.11 per ton when BNSF's 2005 URCS costs are taken into account and the calculation is indexed forward to 1Q07.

Under the *November 8 Order*, the record of variable costs compiled to date would be ignored, in favor of a calculation based solely on unadjusted system average costs developed through use of the URCS Phase III program. As shown herein, the effect of this shift would be to artificially and inaccurately inflate the variable costs for the movements at issue, and along with them the jurisdictional rate floor.

In *Ex Parte No. 657 (Sub-No.1)*, the Board acknowledged that exclusive reliance on system average URCS calculations biases the outcome of the analysis in favor of the railroads; *i.e.*, it produces higher variable cost figures than a movement-specific approach.[7] The Board appears to find this acceptable, on the ground that eliminating movement-specific adjustments means an end to "[t]he immense costs and complexity of

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[6] *See* AEP Texas' *Rebuttal Second Supplemental Evidence*, July 14, 2006 at 22. The variable and stand-alone cost calculations relevant to this case apply to movements from a number of different PRB origins. In this submission, AEP Texas will reference shipments from the Eagle Butte Mine as a point of comparison.

[7] *See* Decision served October 30, 2006 at 52. In discussing disparate record-keeping practices among different carriers, the Board observed that where a railroad does not keep records needed to make movement-specific adjustments – and therefore can rely solely on system averages – the outcome is a "biasing [of] the result of our jurisdictional inquiry in favor of [the] railroad that decides not to gather or keep the information."

such adjustments to URCS..." *Id.* at 51. While AEP Texas does not agree with the Board's cost-benefit conclusions as a matter of general regulatory policy,[8] precluding movement-specific calculations in *this* case will not serve the Board's stated goal of simplifying and reducing the cost of coal rate litigation at all.[9] The record in this proceeding already was closed when *Ex Parte No. 657 (Sub-No.1)* was opened. The discovery and evidentiary assembly that the Board now decries already had been concluded, as the Board itself conceded.[10] Particularly given that AEP Texas justifiably relied on longstanding precedent in preparing and presenting its case, it would be inequitable and improper for the Board to simply ignore that completed record.

While the Board acknowledged that the matter of precluding movement-specific adjustments in this case was a "complex question,"[11] the Board cited the "potential problem of rate prescriptions into the future" as a reason to ignore the existing record. The Board noted that when it sets a maximum rate based on the jurisdictional

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[8] The Board notes with emphasis that the expense of litigating variable costs on a movement-specific basis can exceed $1 million, and cites the avoidance of this expense as a virtue of its shift to a system average approach. *Id.* at 51. AEP Texas submits that this emphasis is misplaced. Assuming *arguendo* that the $1 million figure is accurate, over 2.2 million tons of coal move via BNSF to Oklaunion each year. If a system average approach leads to an overstatement of variable costs by only $.75 per ton (a very conservative figure, as shown *infra*), the added cost to AEP Texas in freight rates at the jurisdictional threshold is almost $3 million *per year*. That harm dwarfs the expense of presenting an accurate variable cost calculation.

[9] Decision served October 30, 2006 at 50-51.

[10] *Id.* at 76.

[11] *Id.*

threshold, it directs the parties to calculate the rate floor for later periods in a manner consistent with its substantive ruling. Turning again to this case, the Board offered that "while the parties have already incurred the costs for making movement-specific adjustments for historical movements, they have not yet done so for future movements." [12] However, calculating those "future" costs based on Board-determined system average adjustments would be no more onerous than doing so using an unadjusted URCS Phase III model. Once the Board makes its determination as to the adjustments to be allowed, the parties' future tasks essentially are to update unit and capital costs within the context of the Board-approved structure. So long as the parties adhere to the Board's directive, the exercise is purely mechanical.

The Board also suggests that precluding movement-specific adjustments in this case "would establish an unbiased and accurate result." *Id.* AEP Texas respectfully disagrees. As noted above and demonstrated further below, exclusive reliance on system averages in this case absolutely will bias the result in BNSF's favor. Moreover, AEP Texas submits that the notion that such reliance produces more accurate results is unfounded.

It bears emphasis that the longstanding precedent supporting movement-specific adjustments in the calculation of variable costs for unit coal train service does not merely endorse their use; it does so specifically because they produce *more accurate costs*

[12] *Id.*

than pure system average data.[13] The Board's about-face on this issue in *Ex Parte No. 657 (Sub-No.1)* rests principally on two (2) premises, neither of which is valid.

First, the Board suggests that unless movement-specific adjustments are made to *all* cost components, the results of the calculation are "suspect." *Id.* at 51. However, there is absolutely no evidentiary support in the administrative record for this conclusion, and it has never been a matter of concern in prior Board and ICC maximum rate cases, *all* of which made findings regarding variable costs based upon a combination of movement-specific and system average components. Moreover, the notion is illogical, as there is no necessary linkage between the individual elements of variable cost such that results would be distorted if some but not all were calculated on a movement-specific basis. For example, if crew wages are determined on a movement-specific basis and locomotive maintenance is calculated based on system averages, neither can be shown to

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[13] *See* Docket No. 42056, *Texas Municipal Power Agency v. BNSF Railway Co.*, Decision served March 24, 2003 at 10, 41 ("Because a carrier's system-wide average costs are not necessarily representative of the cost of providing a particular service, movement-specific adjustments are sometimes introduced into evidence to better reflect the variable costs attributable to providing that service"); Docket No. 42072, *Carolina Power & Light Co. v. Norfolk Southern Railway Co.*, Decision served October 20, 2004 at 114 (same); Docket No. 42051, *Wisconsin Power & Light Company v. Union Pacific Railroad Co.*, Decision served September 13, 2001 at 38-39 (same); Docket No. 42022, *FMC Wyoming Corp. v. Union Pacific Railroad Co.*, Decision served May 12, 2000 at 48 (same); *San Antonio, Texas v. Burlington N. R.R.*, 1 I.C.C. 2d 561, 569 (1986)("San Antonio's calculations were based on the railroad's actual data, whereas the defendant railroads...persisted in relying on system averages. Because route-specific data is more accurate and reliable, we have found San Antonio's evidence to be the best evidence of record in these areas".). *See also Rules to Govern the Assembling and Presenting of Cost Evidence*, 337 I.C.C. 298, 304 (1970).

skew the other solely because of that difference. The ultimate result may be less accurate than if both were done on a movement-specific basis. But that result still would be *more* accurate than if both were determined by system averages.

Second, the Board opined that the use of movement-specific unit costs together with system average variability factors (again, the Board's established practice for decades[14]) somehow produces distortions in results that do not occur when system average unit costs are used. *Id.* at 53-55. Here, too, however, there is no evidentiary or logical support for the Board's proposition.

The Board begins with the statement that "because URCS costs assume a linear relationship between total cost and traffic volume, the proportion of total cost that is variable increases as density increases." *Id.* at 54. But URCS makes no such assumption with respect to return on investment, either for road property or equipment. The linear relationship depicted in the graph relied upon by the Board in *Ex Parte No. 657 (Sub-No.1)* applies to the roadway maintenance cost category, and is already accounted for in the URCS program. Such a relationship has not been demonstrated to exist with respect to return on road property (the apparent subject of the graph[15]). The Board in *Ex*

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[14] *See, e.g.*, Docket No. 42057, *Public Service Co. of Colo. d/b/a Xcel Energy v. BNSF Railway Co.*, Decision served June 8, 2004 at 136 ("The Board has routinely accepted a wide variety of movement-specific adjustments without any adjustment of the system-average variability factors of URCS...").

[15] During the ICC proceedings that led to the adoption of URCS, the railroad industry argued that road return should have been assigned the same variability factor as roadway maintenance. Citing the absence of any analytical support for a change in the 50 % default factor that the agency had used previously for road return, the ICC rejected the

Parte No. 657 (Sub-No. 1) accepted as given an empirically unsupported argument raised by the defendant in *Xcel*, which the Board itself *rejected* in that very case.[16]

Additionally, there is no rational connection between the issue of whether or how variability factors should change with changes in density, and the relative accuracy of movement-specific vs. system average unit costs.[17] If any of the URCS variability factors are questionable on the ground that they reflect system average rather than movement-specific density, any consequential error occurs regardless of whether system average or movement-specific unit costs are used.

The Board's *Ex Parte No. 657 (Sub-No.1)* Decision also opines that eliminating movement-specific adjustments will serve the goal of creating a "quick and easy-to-determine regulatory safe harbor" within which railroads could price their traffic without fear of regulatory intervention. *Id.* at 51. Whatever the theoretical merit of this suggestion, it has no application to this case either. Throughout this proceeding, BNSF

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carriers' argument. *See Adoption of the Uniform Railroad Costing System*, 5 I.C.C. 2d 894, 919-920 (1989). Among the studies undertaken since URCS was adopted, none has supported a change in the road return variability factor.

[16] The Board states in *Ex Parte No. 657 (Sub-No.1)* that it "recognized" the *Xcel* defendant's position, but did not accept it because the railroad itself used system average variability factors. *Id.* at 55. The decision in *Xcel* contains no such recognition; the Board simply recited the railroad's argument, and rejected it. *Xcel* at 136-137.

[17] It is noteworthy that the defendant's linearity claims in *Xcel* were not directed against the use of movement-specific unit costs. The carrier was arguing for an upward adjustment in the variability factor for road return irrespective of whether it prevailed on its separate argument against movement-specific unit costs.

has made clear that its pricing strategy for Oklaunion was based on its perception of stand-alone costs, not the jurisdictional threshold.

That the use of unadjusted, system average URCS Phase III costs in this case would artificially inflate the jurisdictional threshold and bias the outcome in BNSF's favor is apparent from a comparison of the results of the application of the unadjusted Phase III program and the actual variable costs previously calculated by the Board for the Oklaunion movement.

In its 1996 decision in *West Texas Utilities Company v. Burlington N.R.R. Co.*,[18] the Board made specific findings as to the variable cost of BNSF service to Oklaunion from the Rawhide Mine. Basing its calculations on the actual traffic and operating characteristics of the movement and a combination of movement-specific and BNSF 1994 URCS unit costs, the Board determined the variable cost to be $7.60 per ton at 4Q95 wage and price levels. *See* 1 S.T.B. at 718. As shown in Exhibit OTS-2, if these findings are updated using BNSF's 2005 URCS unit costs and current traffic and operating parameters, and *no other adjustments are made*, the variable cost increases to $9.21 per ton at 1Q07 wage and price levels, at least $1.55 per ton *less* than comparable figures produced by the unadjusted URCS Phase III model. *See* Exhibit OTS-1.

[18] 1 S.T.B. 638 (1996), *aff'd. sub nom., Burlington Northern Railroad Company v. STB*, 114 F. 2d 206 (D.C. Cir. 1997).

The updated *West Texas Utilities* calculation is still higher than AEP Texas' calculation of actual, 1Q07 movement-specific variable costs based on BNSF's 2005 URCS, which are $7.81 per ton for shipments from the Buckskin Mine and $8.11 per ton from Eagle Butte, the origins used by AEP Texas that are closest to the Rawhide Mine. *See* Exhibit OTS-1. This is not surprising, however, since as noted above, the updated 1996 calculation does not take into account intervening improvements in operational efficiency and productivity over BNSF's PRB coal routes. As shown on Exhibit OTS-3, between 1996 and 2006 BNSF's average number of cars per coal train increased by 11.3%, and tons per car increased by 6.4 %, while the number of locomotives per train *decreased* by 2.1%. These types of productivity gains can account for the differential between updated 1996 and actual 1Q07 variable costs on the Oklaunion movement.

In sum, to ignore the extensive record already assembled and to determine variable costs solely by application of URCS Phase III system averages would be to sanction an inaccurate, artificial, and highly biased result. AEP Texas respectfully submits that the Board instead should consider the existing record, and render a variable cost determination based on the actual, movement-specific analysis presented by AEP Texas.

B. System Average Variable Costs

In *Ex Parte No. 657 (Sub-No.1)*, the Board directed that variable costs in future cases be calculated using the URCS Phase III program and nine (9) specified input

factors: (1) the railroad; (2) loaded miles (which should include loop track miles); (3) shipment type (local, originated delivered, bridge, received terminated); (4) number of freight cars; (5) tons per car; (6) commodity (for loss and damage expense only); (7) type of movement (single, unit, multiple); (8) car ownership (railroad or private); and (9) type of car. *Id.* at 52 n.165.

As discussed above, AEP Texas objects to the application of the Board's new variable cost rule in this case. However, in compliance with the *November 8 Order*, AEP Texas has made the unadjusted calculations based on BNSF's URCS unit costs for each historic period through 2005,[19] and indexed to 1Q07 wage and price levels. *See* Exhibit OTS-1 and OTS-4, and AEP Texas electronic workpaper "Exhibit OTS-4__ (Variable Cost 2Q00-4Q04).xls". The nine (9) movement-specific inputs used by AEP Texas with the URCS Phase III program are:

1. **The Railroad**. The railroad for all movements is BNSF.

2. **Loaded Miles**. The parties previously stipulated to the loaded miles (including loop track miles) for the Oklaunion movements, for each of the relevant time periods. *See Reply Evidence of AEP Texas North Company,* May 24, 2004, Exhibit II-A-84.

3. **Shipment Type**. The shipment type is originated terminated.

[19] BNSF's 2005 URCS unit costs are the most recent available.

4. **Number of Freight Cars**. The parties previously stipulated to the number of freight cars per train, for each of the relevant time periods. *Id.*

5. **Tons per Car**. The parties previously stipulated to the number of tons per car for each of the relevant time periods. *Id.*

6. **Commodity**. The commodity for all movements is bituminous coal (Phase III Code 11).

7. **Type of Movement.** All movements at issue are unit train movements.

8. **Car Ownership.** The cars are owned by BNSF.

9. **Type of Car**. The cars supplied are gondola cars.

The 2005 BNSF URCS costs are indexed to the 1Q07 level using the procedures set forth in *Explanation of Rail Cost Update Procedures*, ICC Statement 1E-80 (April 1980), as supplemented in *Complaints Filed Under Section 229 of the Staggers Rail Act of 1980*, 365 I.C.C. 507 (1980) and *Wisconsin Power & Light Company, supra* at 59-60.

III. REVENUE ALLOCATION ON CROSS-OVER TRAFFIC

Through its membership in the Concerned Captive Coal Shippers, AEP Texas opposed the Board's proposal to adopt ATC as the formula for allocating revenues derived from cross-over traffic. The identified flaws in the ATC procedure include: (1) an arbitrary allocation of BNSF fixed costs; (2) the same errant assumption that light and heavy density segments have the same fixed costs per mile that prompted the Board to reject the railroad-sponsored "DARA" formula in previous coal rate proceedings; (3) the failure of ATC to recognize market factors as required by the *Coal Rate Guidelines;* and (4) ATC's tendency to force complainants to model stand-alone railroads with less than optimal densities in order to overcome ATC's light density line bias. [20] Nevertheless, the Board adopted ATC, as proposed, in its final ruling in *Ex Parte No. 657 (Sub-No.1).*

AEP Texas submits that ATC remains flawed and inherently biased, and should not be applied in this or any other maximum coal rail rate proceeding. Inasmuch as the Board directed its application in the *November 8 Order*, however, AEP Texas has conducted the necessary supplemental discovery and recalculated the TNR's revenues from cross-over traffic accordingly. As summarized in Exhibit OTS-5 and displayed in detail in AEP Texas electronic workpaper "Exhibit OTS-5__ (Summary TNR Revenue)", the net effect is a total difference of $18.12 million in base year (2000) TNR revenues, as

[20] *See, e.g., Joint Rebuttal Comments of Western Coal Traffic League, Et Al.*, June 30, 2006 at 17-20.

compared to the revenues calculated using MSP, and only 5.3% in total revenues over the entire DCF period. The process followed by AEP Texas is explained in the balance of this Part III.

A. Background of AEP Texas' Evidence

The most recent calculation of TNR cross-over revenues was presented in AEP Texas' July 14, 2006 *Rebuttal Second Supplemental Evidence*. As with prior iterations, the movements included in the TNR traffic group for the period June 16, 2000 through 2002 were based on actual BNSF coal and non-coal shipments from specific origins to specific destinations, as revealed by data produced by BNSF in discovery. Movements over the TNR that are projected to begin in later years were determined through a combination of discovery and independent research.

The points of interchange between TNR and BNSF for coal movements were developed based upon BNSF's actual routing of PRB coal shipments to particular destination plants and interchanges. Because the TNR was designed such that all PRB traffic was routed via Edgemont, SD, only coal traffic which to some degree actually had been routed that way by BNSF was included in the TNR shipper group. In its March 17, 2006 Order in this proceeding, the Board directed both parties to use AEP Texas' traffic group volumes and routings (included re-routed traffic) in their supplemental submissions. *See also* AEP Texas' *Rebuttal Second Supplemental Evidence*, July 14, 2006 at 4-7.

The TNR traffic group also includes modest volumes of general freight traffic, all of which is handled by the TNR in overhead or "bridge" service between Amarillo, TX and Oklaunion, TX. The points of interchange with BNSF were based on BNSF's actual routing of this traffic, as reflected in data produced by BNSF in discovery for the years 2000 through 2002.

Throughout this proceeding, AEP Texas' calculation of revenue divisions on cross-over traffic has been performed using the MSP methodology. While BNSF has continued to object to the inclusion of certain re-routed coal movements in the TNR traffic group and to advocate the DARA formula for allocating cross-over revenues, BNSF has conceded that AEP Texas' most recent revenue calculations accurately comply with the Board's instructions as set forth in its March 17, 2006 Order. [21]

B. ATC Calculation -- The "On SARR" TNR Route

The following procedures are used by AEP Texas to determine average total costs for the TNR portion of each cross-over movement, including both coal traffic and general freight. The composition of the traffic group, the total BNSF revenues, and the "on-SARR" routings for all movements are the same as those developed and summarized in AEP Texas' *Rebuttal Second Supplemental Evidence.*

[21] *See, Reply Supplemental Evidence of BNSF Railway Company*, June 15, 2006 at 4-5.

The variable costs per ton for the TNR portion[22] of each cross-over movement in the TNR traffic group are developed using the nine (9) URCS inputs identified in *Ex Parte No. 657 (Sub-No.1)* for each movement, as derived from data produced by BNSF in discovery. The URCS Phase III cost program was run using those inputs and BNSF's 2000 URCS unit costs, to calculate the variable cost for the TNR portion of each unique movement.[23] The results are shown in AEP Texas electronic workpapers "TNR Coal Traf Phase III.xls", "gf__00.dbf", "gf__01.dbf" and "gf__02.dbf".

The next step is to determine the weighted average density for each movement's TNR routing. AEP Texas and BNSF agreed to use 2004 densities as a surrogate for the 2000 base year.[24] The TNR density for each density segment[25] was determined using the traffic that traversed the TNR, and then multiplied by the TNR route

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[22] The *November 8 Order* directs that for re-routed traffic, "on-SARR" traffic densities and variable and fixed costs are to be determined based on the re-route. *Id.* at 3. AEP Texas' calculations follow this procedure.

[23] Per the Board's directive (*November 8 Order* at 3), the variable and fixed costs allocable to traffic that began moving on the TNR after 2000 likewise was determined using 2000 base year URCS costs.

[24] For the sake of consistency, this stipulation also requires that TNR's 2004 tonnage levels be used in the density calculation. Thus, TNR density is determined based on 2004 tonnage levels for the specific routes used by the 2000 base year traffic group. In this way, the base year traffic routings are reflected in the ATC calculation, per the Board's directive.

[25] "Density segments" are defined as each discrete segment of the TNR system where traffic density (in net tons) is consistent. Thus, a portion of the system that runs from A to C via B where the A-B portion handles 10 million tons and B-C handles 8 million tons would be comprised of two density segments.

miles for that segment. The sum of these products then was divided by each movement's total TNR route miles, to arrive at a weighted average density for each movement's route.

Fixed costs per ton for the TNR portion of each cross-over movement are calculated thusly: (i) 2000 base year fixed costs per route mile are determined by subtracting BNSF's total variable costs from BNSF's total cost as identified in its 2000 URCS formula, then dividing the difference by BNSF's total system route miles;[26] (ii) BNSF's aggregate annual fixed cost for the "on-SARR" route is calculated by multiplying the BNSF 2000 fixed cost per route mile from (i) by each movement's TNR route miles; and (iii) fixed costs per ton are determined by dividing BNSF's aggregate fixed cost from (ii) by the weighted average annual density for each movement's on-TNR route. The results of these calculations are summarized in AEP Texas electronic workpapers "TNR Coal Traf and Rev 0100-0603 Reb _ATC_021607.xls", "gf00ATC.xlsx", "gf01ATC.xlsx" and "gf02ATC.xlsx".

C. ATC Calculation – The Off-SARR BNSF Route

As with the "on-SARR" routes, the determination of variable and fixed costs for the BNSF portion of cross-over movements for purposes of the ATC calculation is based on the TNR traffic group and routings summarized in AEP Texas' *Rebuttal Second Supplemental Evidence.*

[26] Total route miles are taken from BNSF's 2000 Annual Report Form R-1, Schedule 700, Line 57, Column (C).

1. Coal Traffic

In discovery conducted subsequent to the *November 22 Order*, BNSF produced coal routing databases for the years 2004-2006.[27] From these databases, coal records for the destinations of cross-over movements included in the TNR traffic group were identified.[28] AEP Texas next determined the predominant "off-SARR" routing for the BNSF trains from the point of interchange with the TNR to their destination on BNSF. "Predominant" is defined as a route traversed by at least 70% of a given movement's trains, as determined using the BNSF routing databases.[29]

Sixteen (16) cross-over coal movements included in the TNR traffic group occurred over the 2000-2003 time period, but did not take place in 2004 and thus were not included in the databases provided by BNSF. AEP Texas and BNSF therefore stipulated the "off-SARR" routings for these movements, which are shown in AEP Texas electronic workpaper "Stipulated Coal Routes.pdf".

In addition, seven (7) cross-over coal movements that are included in the TNR traffic group were not included in the databases provided by BNSF, and are not the

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[27] As noted *supra*, AEP Texas and BNSF have stipulated to the use of 2004 traffic and density data as a surrogate for the base year 2000 data.

[28] Qualifying records could be identified efficiently using destination points. The 2005 and 2006 routing databases were used only for movements that were not included in the 2004 data.

[29] One exception to this rule is a cross-over movement that traverses the TNR via Edgemont, SD and terminates at Chicago. BNSF records did not show a route traversed by at least 70% of the trains for this movement, so the predominant route was determined based on a simple majority of the routes included in the data provided by BNSF.

subject of a stipulation between the parties. For these movements, the "off-SARR" route was determined either by identifying a comparable movement to the same destination via the same TNR interchange point that *was* included in the BNSF databases, or by developing the most logical route to that particular destination from the interchange point with the TNR.[30]

Once the "off-SARR" routings were determined, the variable costs and average fixed costs for the BNSF portion of each cross-over movement were calculated in the same manner as those associated with the TNR portion. The segment densities were determined using BNSF's 2004 system densities as a surrogate for the 2000 base year. The density for each segment was determined using this data, and then multiplied by the off-system route miles for that segment. The sum of these products then was divided by each movement's total off-system route miles, to arrive at a weighted average density for each movement's route.

2. General Freight Traffic

By agreement between AEP Texas and BNSF, the weighted average densities for the "off-SARR" routes were determined using a 2002 BNSF database, which was produced by BNSF in January, 2007. This database was used as a surrogate for the 2000 base year densities. Each general freight movement was summarized by origin-

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[30] *See* AEP Texas electronic workpaper "TNR Coal Traf and Rev 0100-0603 Reb_ATC_021607.xls".

destination state, as identified from data provided by BNSF and used to develop the TNR traffic group. For each unique origin-destination state movement, the predominant off-SARR route was identified from the 2002 BNSF database. Once the route was identified, the BNSF 2002 density data was used to develop off-SARR route density in the same manner as described above for coal traffic. In all other respects, the procedures used to develop "off-SARR" costs and densities are the same as those used for coal traffic.

The "off-SARR" cost and density calculations are summarized in AEP Texas electronic workpapers "gf00ATC.xlsx", "gf01ATC.xlsx", and "gf02ATC.xlsx".

D. Calculation of Revenue Divisions Under ATC

The following steps were taken to complete the determination of the TNR's share of each cross-over movement's total revenue using the ATC methodology:

(i) calculate the total "on-SARR" cost per ton for each movement by adding the "on-SARR" variable cost per ton and the "on-SARR" fixed cost per ton;

(ii) calculate the total "off-SARR" cost per ton for each movement by adding the "off-SARR" variable cost per ton and the "off-SARR" fixed cost per ton;

(iii) calculate the ratio of "on-SARR" total costs to total movement costs by dividing "on-SARR" total costs by "on-SARR" plus "off-SARR" total costs; and

(iv) apply the item (iii) ratio to the total BNSF revenue for the evaluated movement to arrive at the TNR share of total movement revenue for each cross-over movement.

Once calculated for the 2000 base year, the TNR revenue ratio for each cross-over movement is held constant during each year of the DCF model life, regardless of when during the model life the movement over the TNR commences or terminates. *See November 8 Order* at 3.

The calculation of total TNR revenues for each year of the DCF model using the ATC methodology is summarized in Exhibit OTS-5. As shown therein, application of the ATC formula in lieu of the MSP methodology results in a total reduction in revenue of 5.3 % over the life of the model.

IV. APPLICATION OF THE MAXIMUM MARK-UP METHODOLOGY

The *November 8 Order* directs the parties to "calculate the variable cost for all movements (issue and non-issue movements) using the URCS Phase III movement costing program" to support the application of MMM to determine the maximum stand-alone rate. *Id.* at 4. These calculations are detailed in AEP Texas electronic workpapers "TNR Coal Traf Phase III.xls", "gf__00.dbf", "gf__01.dbf" and "gf__02.dbf" and "Oklaunion.xls".

Consistent with the Board's MMM procedures, variable costs for both the issue and non-issue traffic are based on unadjusted URCS Phase III system averages.

However, AEP Texas re-affirms its objection to the calculation of Oklaunion variable costs on this basis for *jurisdictional threshold* purposes.[31]

CONCLUSION

Herein, AEP Texas provides the data and calculations called for by the *November 8 Order* and *November 22 Order*, in the manner directed by the Board. For the reasons set forth herein and in the comments filed by AEP Texas and the Concerned Captive Coal Shippers in *Ex Parte No. 657 (Sub-No. 1)*, however, variable costs and the revenue allocations on cross-over traffic in this case should be determined based on the standards and precedents in place prior to that proceeding, and the evidentiary record assembled in reliance thereon.

[31] There is no inconsistency in using different approaches to determining variable costs where the calculations serve two very different purposes.

Respectfully submitted,

AEP TEXAS NORTH COMPANY
1 Riverside Plaza
Columbus, OH 43215

By: David M. Cohen
Senior Counsel
155 West Nationwide Boulevard
Suite 300
Columbus, OH 43215

William L. Slover
Kelvin J. Dowd
Christopher A. Mills
Daniel M. Jaffe
Slover & Loftus
1224 Seventeenth Street N.W.
Washington, D.C. 20036
(202) 347-7170

Attorneys & Practitioners

OF COUNSEL:

Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036

Dated: February 16, 2007

COMPARISON OF
BNSF VARIABLE COST FOR SHIPMENTS TO OKLAUNION
(Movement Specific and Phase III - 1Q05 through 1Q07)

	Period (1)	BNSF Variable Cost Per Ton: Movement Specific Variable Cost 1/ (2)	BNSF Variable Cost Per Ton: Phase III Variable Cost 2/ (3)
A. Buckskin Mine Originations			
1.	1Q05	$7.25	$9.85
2.	2Q05	$7.78	$10.25
3.	3Q05	$7.92	$10.44
4.	4Q05	$8.71	$10.97
5.	1Q06	$8.02	$10.53
6.	2Q06	$8.52	$10.87
7.	3Q06	$8.73	$11.04
8.	4Q06	$8.15	$10.63
9.	1Q07	$7.81	$10.41
B. Eagle Butte Mine Originations			
10.	1Q05	$7.40	$10.00
11.	2Q05	$7.70	$10.07
12.	3Q05	$8.25	$10.76
13.	4Q05	$9.07	$11.30
14.	1Q06	$8.35	$10.85
15.	2Q06	$8.77	$11.15
16.	3Q06	$9.07	$11.38
17.	4Q06	$8.47	$10.95
18.	1Q07	$8.11	$10.73
C. Jacobs Ranch Mine Originations			
19.	1Q05	$8.02	$10.46
20.	2Q05	$8.61	$10.89
21.	3Q05	$8.76	$11.09
22.	4Q05	$9.62	$11.65
23.	1Q06	$8.86	$11.18
24.	2Q06	$9.30	$11.50
25.	3Q06	$9.62	$11.73
26.	4Q06	$8.99	$11.30
27.	1Q07	$8.61	$11.07

COMPARISON OF
BNSF VARIABLE COST FOR SHIPMENTS TO OKLAUNION
(Movement Specific and Phase III - 1Q05 through 1Q07)

	Period (1)	BNSF Variable Cost Per Ton: Movement Specific Variable Cost 1/ (2)	BNSF Variable Cost Per Ton: Phase III Variable Cost 2/ (3)
D. Black Thunder Mine Originations			
28.	1Q05	$7.66	$10.17
29.	2Q05	$8.23	$10.58
30.	3Q05	$8.37	$10.78
31.	4Q05	$9.20	$11.32
32.	1Q06	$8.47	$10.87
33.	2Q06	$8.89	$11.17
34.	3Q06	$9.20	$11.40
35.	4Q06	$8.59	$10.98
36.	1Q07	$8.23	$10.75
E. Caballo Rojo Mine Originations			
37.	1Q05	$8.24	$10.60
38.	2Q05	$8.85	$11.04
39.	3Q05	$9.01	$11.25
40.	4Q05	$9.91	$11.81
41.	1Q06	$9.12	$11.34
42.	2Q06	$9.57	$11.66
43.	3Q06	$9.91	$11.89
44.	4Q06	$9.25	$11.45
45.	1Q07	$8.86	$11.22
F. North Antelope Mine Originations			
46.	1Q05	$6.81	$9.25
47.	2Q05	$7.31	$9.63
48.	3Q05	$7.44	$9.81
49.	4Q05	$8.18	$10.31
50.	1Q06	$7.53	$9.89
51.	2Q06	$7.90	$10.17
52.	3Q06	$8.18	$10.38
53.	4Q06	$7.64	$9.99
54.	1Q07	$7.32	$9.79

COMPARISON OF
BNSF VARIABLE COST FOR SHIPMENTS TO OKLAUNION
(Movement Specific and Phase III - 1Q05 through 1Q07)

	Period (1)	BNSF Variable Cost Per Ton: Movement Specific Variable Cost 1/ (2)	BNSF Variable Cost Per Ton: Phase III Variable Cost 2/ (3)
G. Caballo Mine Originations			
55.	1Q05	$7.72	$10.23
56.	2Q05	$8.29	$10.65
57.	3Q05	$8.43	$10.85
58.	4Q05	$9.27	$11.39
59.	1Q06	$8.54	$10.93
60.	2Q06	$8.96	$11.25
61.	3Q06	$9.27	$11.47
62.	4Q06	$8.66	$11.04
63.	1Q07	$8.30	$10.82
H. Cordero Mine Originations			
64.	1Q05	$7.29	$10.08
65.	2Q05	$7.82	$10.49
66.	3Q05	$7.96	$10.69
67.	4Q05	$8.73	$11.22
68.	1Q06	$8.05	$10.77
69.	2Q06	$8.45	$11.08
70.	3Q06	$8.74	$11.30
71.	4Q06	$8.17	$10.88
72.	1Q07	$7.83	$10.66
I. North Rochelle Mine Originations			
73.	1Q05	$7.03	$9.69
74.	2Q05	$7.53	$10.08
75.	3Q05	$7.67	$10.27
76.	4Q05	$8.41	$10.79
77.	1Q06	$7.76	$10.35
78.	2Q06	$8.13	$10.65
79.	3Q06	$8.41	$10.86
80.	4Q06	$7.87	$10.46
81.	1Q07	$7.54	$10.25

COMPARISON OF
BNSF VARIABLE COST FOR SHIPMENTS TO OKLAUNION
(Movement Specific and Phase III - 1Q05 through 1Q07)

Period (1)	BNSF Variable Cost Per Ton: Movement Specific Variable Cost 1/ (2)	BNSF Variable Cost Per Ton: Phase III Variable Cost 2/ (3)
J. Antelope Mine Originations		
82. 1Q05	$7.51	$9.83
83. 2Q05	$8.06	$10.23
84. 3Q05	$8.20	$10.42
85. 4Q05	$9.01	$10.94
86. 1Q06	$8.30	$10.50
87. 2Q06	$8.71	$10.80
88. 3Q06	$9.01	$11.02
89. 4Q06	$8.42	$10.61
90. 1Q07	$8.07	$10.39

1/ Based on AEP Texas Rebuttal Second Supplemental evidence dated July 14, 2006 electronic workpaper "VC AEPTEX 2005 ALL MOVES.123".
2/ AEP Texas electronic workpaper "AEPTX Phase III 2005 ALL.xls".

SUMMARY OF BNSF VARIABLE COST
FOR SHIPMENTS TO OKLAUNION BASED ON THE STB'S 1996 WTU DECISION

Item (1)	BNSF Variable Cost Per Ton 1/ STB 1996 WTU Decision 2/ (2)	BNSF Variable Cost Per Ton 1/ 2005 Adjusted URCS 3/ (3)
1. CARLOAD ORIGINATED OR TERMINATED - CLERICAL (CLOT)	$22.66	$10.50
2. CARLOAD HANDLING - OTHER (CLOR)	1.20	1.10
3. SWITCHING BY YARD LOCOMOTIVES (SEM)	4.17	7.93
4. SWITCHING BY ROAD LOCOMOTIVES (SEM) ON NON-YARD TRACKS	0.03	0.70
5. SWITCHING: RD LOCO (SEM) ON YD TRKS	0.08	0.49
6. GROSS TON MILE EXPENSES (GTM)		
a) FUEL	58.42	135.53
b) OPERATING EXPENSE	160.66	135.87
c) DEPRECIATION & LEASES	41.04	52.76
d) RETURN ON INVESTMENT	53.93	125.71
e) TOTAL (Lns. 6a - 6d)	314.05	449.87
7. EXPENSES FOR LOOP TRACK MOVEMENTS (GTM & LUM)	1.25	3.04
8. TRAIN MILE EXP for OTHER THAN CREW	4.83	4.13
9. TRAIN MILE EXPENSE FOR T&E CREW	105.64	113.42
10. HELPER SERVICE - LUM EXPENSES	6.68	2.85
11. HELPER SERVICE - CREW EXPENSES	7.23	1.70
12. LOCOMOTIVE UNIT MILE EXPENSES		
a) FUEL	48.06	119.78
b) OPERATING EXPENSE	59.11	86.02
c) DEPRECIATION & LEASES - LOCOMOTIVES	75.52	56.71
c) DEPRECIATION & LEASES - NON LOCOMOTIVE	0.37	2.07
d) RETURN ON INVESTMENT - LOCOMOTIVES	20.99	21.74
d) RETURN ON INVESTMENT - NON LOCOMOTIVE	1.13	7.79
e) TOTAL (Lns. 12a) - 12d)	205.18	294.11
13. OPERATING EXPENSE OF CARRIER OWNED CARS		
a) OPERATING EXPENSE	34.04	100.15
b) DEPRECIATION & LEASES	75.80	6.09
c) RETURN ON INVESTMENT	0.00	22.36
d) TOTAL (Lns. 13a) - 13c)	109.84	128.60
14. EOTD/CABOOSE OWNERSHIP PER CAR	0.12	0.00
15. LOSS AND DAMAGE	0.30	0.39
16. JOINT FACILITY CHARGE	61.79	7.90
17. TOTAL VARIABLE COST/CARLOAD	$845.05	$1,026.73
18. TONS PER CAR	110.48	109.20
19. VARIABLE COST PER TON (L.17 / L.18)	$7.65	$9.40
20. RFA - URCS LINKING FACTOR	0.9934	0.9934
21. LINKED VARIABLE COST PER TON (L.19 * L. 20)	$7.60	$9.34
22. VARIABLE COST PER TON INDEXED TO 1Q07	xxx	$9.21

1/ AEP Texas electronic workpaper "Updated Variable Cost - 1996 STB WTU Decision.xls".
2/ BNSF variable cost for shipments from Rawhide Mine to Oklaunion at 4Q95 wage and price levels.
3/ BNSF variable cost for shipments from Eagle Butte Mine to Oklaunion at 3Q05 wage and price levels.

COMPARISON OF BNSF METRICS FOR COAL TRAFFIC

Item	Source	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Cumulative Change From	To	%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
1. All Coal (STCC 11)															
a. Total Tons (000)	QCS	217,610	210,717	231,423	237,557	229,460	244,396	240,334	246,707	256,497	260,133		1996	2005	19.5%
b. Total Carloads (000)	QCS	2,002	1,931	2,080	2,122	2,023	2,140	2,106	2,146	2,226	2,249		1996	2005	12.3%
c. Average Tons / Car	*Line 1a ÷ Line 1b*	*108.7*	*109.1*	*111.3*	*111.9*	*113.4*	*114.2*	*114.1*	*115.0*	*115.2*	*115.7*		1996	2005	*6.4%*
d. Total Revenues (million)	QCS	$2,033	$2,031	$2,251	$2,247	$2,188	$2,199	$2,144	$2,175	$2,382	$2,628		1996	2005	29.3%
e. Average Revenue / Ton	Line 1d ÷ Line 1a	$9.34	$9.64	$9.73	$9.46	$9.54	$9.00	$8.92	$8.82	$9.29	$10.10		1996	2005	8.1%
f. Average Revenue / Carload	Line 1d ÷ Line 1b	$1,015	$1,052	$1,082	$1,059	$1,082	$1,028	$1,018	$1,014	$1,070	$1,169		1996	2005	15.1%
2. Bituminous Coal (STCC 1121)															
a. Total Tons (000)	QCS	213,602	206,244	226,897	232,869	225,011	239,547	235,464	241,937	251,951	256,094		1996	2005	19.9%
b. Total Carloads (000)	QCS	1,960	1,883	2,033	2,074	1,978	2,091	2,056	2,098	2,179	2,207		1996	2005	12.6%
c. Average Tons / Car	Line 2a ÷ Line 2b	109.0	109.5	111.6	112.3	113.8	114.6	114.5	115.3	115.6	116.0		1996	2005	6.4%
d. Total Revenues (million)	QCS	$2,024	$2,021	$2,242	$2,238	$2,178	$2,186	$2,129	$2,163	$2,371	$2,610		1996	2005	29.0%
e. Average Revenue / Ton	Line 2d ÷ Line 2a	$9.48	$9.80	$9.88	$9.61	$9.68	$9.13	$9.04	$8.94	$9.41	$10.19		1996	2005	7.5%
f. Average Revenue / Carload	Line 2d ÷ Line 2b	$1,033	$1,073	$1,103	$1,079	$1,101	$1,045	$1,036	$1,031	$1,088	$1,183		1996	2005	14.5%
3. Bituminous Coal Originated (STCC 1121)															
a. Total Tons (000)	QCS	186,436	188,735	217,396	223,162	215,975	229,153	225,893	231,398	242,388	247,146		1996	2005	32.6%
b. Total Carloads (000)	QCS	1,705	1,719	1,945	1,988	1,898	2,000	1,970	2,003	2,093	2,126		1996	2005	24.7%
c. Average Tons / Car	Line 3a ÷ Line 3b	109.3	109.8	111.7	112.3	113.8	114.6	114.7	115.5	115.8	116.2		1996	2005	6.3%
4. Average Tons per Train (estimated)	BNSF Presentations 1/	11,550	11,800	12,275	12,475	13,025	13,225	13,350	13,600	13,650	13,700	13,800	1996	2006	18.6%
5. Average Cars per Train using Tons per Car for All Coal	*Line 4 ÷ Line 1c*	106	108	110	111	115	116	117	118	118	118		1996	2005	11.3%
5a. Average Cars per Train - BNSF data	BNSF Presentation 2/						121	122	123	123	123	123.5	2001	2006	2.1%
6. Average Locomotive Units per Unit Train	Annual Report Form R-1	2.89	2.77	2.91	2.88	2.78	2.84	2.69	3.07	2.83	2.83		1996	2005	-2.1%
7. Coal Revenues (million)	BNSF Investors' Report	$1,973 3/	$1,972 3/	$2,239	$2,226	$2,131	$2,123	$2,071	$2,025	$2,277	$2,448	$2,916	1996	2006	47.8%
7a. Amount over/(under) QCS	Line 7 - Line 1d	($60)	($59)	($12)	($21)	($57)	($76)	($73)	($150)	($105)	($180)				
8. Coal Carloads (000)	BNSF Investors' Report	1,854 3/	1,862 3/	2,078	2,123	2,023	2,133	2,097	2,048	2,216	2,238	2,458	1996	2006	32.6%
8a. Amount over/(under) QCS	Line 8 - Line 1b	(148)	(69)	(2)	1	0	(7)	(9)	(98)	(10)	(11)				
9. All Coal Average Revenue / Car	BNSF Investors' Report	$1,064 3/	$1,059 3/	$1,077	$1,049	$1,053	$995	$988	$989	$1,028	$1,094	$1,186	1996	2006	11.5%
9a. Amount over/(under) QCS	Line 9 - Line 1f	$49	$7	($5)	($10)	($29)	($33)	($30)	($25)	($42)	($75)				
10. All Coal Revenue Ton-Miles (million)	BNSF Investors' Report			201,633	209,219	204,303	213,158	209,353	205,997	236,528	242,409	271,499	1998	2006	34.7%
11. Revenue per Thousand Ton-Miles	BNSF Investors' Report			$11.10	$10.64	$10.43	$9.96	$9.89	$9.83	$9.63	$10.10	$10.74	1998	2006	-3.2%

1/ Estimated based on bar graphs included in (a) September 13, 2005 presentation by Matt Rose of BNSF to NCTA and (b) April 26,2006 testimony of Matt Rose before the U.S. House of Representatives, Transportation and Infrastrucnure Committee
2/ Based on bar graph included in BNSF Financial Analysts' Presentation, June 5, 2006 in Denver, Colorado
3/ BNSF 1998 Annual Report to Shareholders

COMPARISON OF
BNSF VARIABLE COST FOR SHIPMENTS TO OKLAUNION
(Movement Specific and Phase III - Historical Shipments 2Q00 through 4Q04)

	Period		BNSF Variable Cost Per Ton: Movement Specific Variable Cost 1/	BNSF Variable Cost Per Ton: Phase III Variable Cost 2/
	(1)		(2)	(3)
A. Buckskin Mine Originations				
1.	2Q00		$6.53	$8.40
2.	3Q00		$6.55	$8.77
3.	4Q00		$6.77	$9.02
4.	1Q01		$6.96	$9.29
5.	2Q01		$6.98	$9.18
6.	3Q01		$7.03	$9.16
7.	4Q01		$6.92	$9.02
8.	2Q03		$7.43	$9.53
9.	4Q03		$7.23	$9.45
B. Rawhide Mine Originations				
10.	1Q02		$6.64	$8.97
11.	2Q02		$6.95	$9.24
12.	3Q02		$7.27	$9.38
13.	4Q02		$7.24	$9.53
14.	1Q03		$7.32	$9.59
15.	2Q03		$7.34	$9.63
C. Eagle Butte Mine Originations				
16.	1Q03		$7.31	$9.41
17.	2Q03	117 Cars	$6.94	$9.20
18.	2Q03	128 Cars	$6.88	$9.20
19.	3Q03		$7.08	$9.33
20.	4Q03		$7.08	$9.32
21.	1Q04		$7.16	$9.45
22.	2Q04			$9.61
23.	3Q04			$9.86
24.	4Q04			$10.33

COMPARISON OF
BNSF VARIABLE COST FOR SHIPMENTS TO OKLAUNION
(Movement Specific and Phase III - Historical Shipments 2Q00 through 4Q04)

	Period	BNSF Variable Cost Per Ton: Movement Specific Variable Cost 1/	BNSF Variable Cost Per Ton: Phase III Variable Cost 2/
	(1)	(2)	(3)
D. Jacobs Ranch Mine Originations			
25.	2Q00	$5.97	$7.80
26.	3Q00	$6.33	$8.57
27.	1Q01	$6.80	$9.19
28.	2Q01	$6.80	$9.06
29.	3Q01	$6.66	$8.78
30.	4Q01	$6.73	$8.84
31.	1Q02	$6.39	$8.67
32.	3Q02	$6.78	$8.95
33.	4Q02	$7.28	$9.39
34.	2Q03	$7.53	$9.50
E. Black Thunder Mine Originations			
35.	1Q01	$6.47	$8.66
36.	3Q01	$7.01	$8.91
37.	4Q01	$6.54	$8.64
38.	2Q02	$6.77	$8.94
39.	3Q02	$6.82	$8.96
40.	4Q02	$7.29	$9.33
41.	2Q03	$7.26	$9.38
42.	4Q03	$7.12	$9.27
43.	1Q04	$7.24	$9.44
44.	2Q04		$9.49
45.	3Q04		$9.71
46.	4Q04		$10.13

COMPARISON OF
BNSF VARIABLE COST FOR SHIPMENTS TO OKLAUNION
(Movement Specific and Phase III - Historical Shipments 2Q00 through 4Q04)

	Period	BNSF Variable Cost Per Ton: Movement Specific Variable Cost 1/	BNSF Variable Cost Per Ton: Phase III Variable Cost 2/
	(1)	(2)	(3)
F. Caballo Rojo Mine Originations			
47.	2Q00	$6.44	$8.37
48.	3Q00	$6.43	$8.65
49.	4Q00	$6.65	$8.92
50.	1Q01	$6.85	$9.12
51.	2Q01	$6.69	$8.92
52.	3Q01	$6.99	$9.11
53.	4Q01	$7.00	$8.82
54.	2Q03	$7.75	$9.62
G. North Antelope Mine Originations			
55.	2Q03	$7.05	$9.05
56.	3Q03	$7.01	$9.08
H. Caballo Mine Originations			
57.	2Q02	$7.27	$9.27
58.	3Q02	$6.67	$8.96
59.	4Q02	$7.58	$9.55
60.	2Q03	$7.28	$9.27
I. Cordero Mine Originations			
61.	2Q03	$6.87	$9.12
J. North Rochelle Mine Originations			
62.	3Q02	$7.33	$9.11
63.	2Q03	$7.09	$9.12
64.	4Q03	$6.72	$9.03
65.	4Q04		$9.64

COMPARISON OF
BNSF VARIABLE COST FOR SHIPMENTS TO OKLAUNION
(Movement Specific and Phase III - Historical Shipments 2Q00 through 4Q04)

		BNSF Variable Cost Per Ton	
	Period	Movement Specific Variable Cost 1/	Phase III Variable Cost 2/
	(1)	(2)	(3)
K. Antelope Mine Originations			
66.	2Q03	$6.89	$8.89
67.	4Q03	$5.97	$8.20
68.	1Q04	$7.06	$9.10
L. Belle Ayr Mine Originations			
69.	2Q03	$7.52	$9.58
M. Dry Fork Mine Originations			
70.	2Q03	$7.41	$9.66
N. Fort Union Mine Originations			
71.	2Q03	$7.41	$9.61
O. Clovis Point Mine Originations			
72.	2Q03	$7.41	$9.62
P. Coal Creek Mine Originations			
73.	2Q03	$7.53	$9.59
Q. Rochelle Mine Originations			
74	2Q03	$7.50	$9.49

1/ Based on Table III-H-4 of AEP Texas Rebuttal evidence dated July 27, 2004.
2/ AEP Texas electronic workpaper "AEPTX Phase III weighted car type.xls".

SUMMARY OF TNR REVENUE DIFFERENCES BETWEEN
AEPTX REBUTTAL SECOND SUPPLEMENTAL EVIDENCE WITH TNR COAL CROSS-OVER REVENUES
BASED ON MODIFIED STRAIGHT MILEAGE PRORATE ("MSP") AND AVERAGE TOTAL COSTS ("ATC")

	Period (1)		AEPTX Rebuttal Second Supplemental (7/14/2006) Based On MSP: Coal Revenues (2)	Non-Coal Revenues (3)	Total Revenues 1/ (4)	AEPTX Opening Third Supplemental (2/16/2007) Based On ATC: Coal Revenues 2/ (5)	Non-Coal Revenues 3/ (6)	Total Revenues 4/ (7)	Difference Total Revenues 5/ (8)
1.	2000	6/	$383,971,623	$23,247,905	$407,219,528	$363,902,743	$25,197,970	$389,100,713	($18,118,814)
2.	2001		$719,217,063	$44,052,675	$763,269,738	$680,084,331	$40,434,419	$720,518,750	($42,750,988)
3.	2002		$737,566,498	$26,959,848	$764,526,347	$698,361,944	$29,071,289	$727,433,233	($37,093,114)
4.	2003		$712,365,204	$27,728,392	$740,093,596	$672,358,291	$29,886,236	$702,244,527	($37,849,069)
5.	2004		$742,857,615	$28,473,978	$771,331,592	$700,023,017	$30,672,135	$730,695,151	($40,636,441)
6.	2005		$744,937,688	$29,321,153	$774,258,841	$704,001,781	$31,574,503	$735,576,284	($38,682,557)
7.	2006		$772,021,030	$30,104,479	$802,125,509	$729,658,663	$32,412,217	$762,070,880	($40,054,629)
8.	2007		$796,477,482	$30,758,025	$827,235,507	$754,185,018	$33,110,781	$787,295,799	($39,939,708)
9.	2008		$804,580,564	$31,397,536	$835,978,100	$761,648,255	$33,791,623	$795,439,878	($40,538,222)
10.	2009		$831,725,930	$32,020,446	$863,746,376	$786,099,325	$34,452,605	$820,551,930	($43,194,446)
11.	2010		$844,091,439	$32,632,073	$876,723,512	$797,674,996	$35,099,382	$832,774,378	($43,949,133)
12.	2011		$871,607,113	$33,235,695	$904,842,808	$823,295,724	$35,735,854	$859,031,578	($45,811,230)
13.	2012		$918,574,309	$33,839,510	$952,413,818	$862,757,722	$36,371,416	$899,129,139	($53,284,680)
14.	2013		$943,528,443	$34,433,632	$977,962,075	$886,273,376	$36,996,017	$923,269,393	($54,692,682)
15.	2014		$964,135,745	$35,024,252	$999,159,996	$905,594,759	$37,616,847	$943,211,606	($55,948,391)
16.	2015		$976,628,842	$35,595,982	$1,012,224,824	$917,301,202	$38,219,357	$955,520,559	($56,704,265)
17.	2016		$1,003,290,740	$36,140,468	$1,039,431,209	$942,267,784	$38,796,633	$981,064,417	($58,366,792)
18.	2017		$1,037,117,225	$36,651,101	$1,073,768,325	$973,943,138	$39,342,105	$1,013,285,243	($60,483,083)
19.	2018		$1,071,715,890	$37,136,861	$1,108,852,751	$1,006,046,817	$39,864,496	$1,045,911,313	($62,941,438)
20.	2019		$1,107,399,272	$37,604,590	$1,145,003,863	$1,039,189,423	$40,370,130	$1,079,559,553	($65,444,310)
21.	2020		$1,161,017,883	$38,062,430	$1,199,080,313	$1,088,409,937	$40,865,646	$1,129,275,584	($69,804,730)
22.	Total		$18,144,827,598	$694,421,030	$18,839,248,628	$17,093,078,246	$739,881,661	$17,832,959,907	($1,006,288,721)
23.	% of Change		xxx	xxx	xxx	-5.8%	6.5%	-5.3%	-5.3%

1/ Column (2) + Column (3).
2/ See AEP Texas electronic workpaper "TNR Coal Revenue Forecast 2-16-2007_ATC.xls".
3/ See AEP Texas electronic workpaper "GF_Forecast_ATC_TrainType.xls".
4/ Column (5) + Column (6).
5/ Column (7) - Column (4).
6/ Period from June 16, 2000 through December 31, 2000.

VERIFICATION

I, Thomas D. Crowley, verify under penalty of perjury that I am the same Thomas D. Crowley whose Statement of Qualifications appears in Part V of the Narrative portion of the Opening Evidence of Complainant AEP Texas North Company ("AEP Texas") filed in this proceeding on March 1, 2004; that I am responsible of the portions of the foregoing Opening Third Supplemental Evidence of AEP Texas set forth in Parts II, III and IV; that I know the contents thereof; and that the same are true and correct. Further, I certify that I am qualified and authorized to file this statement.

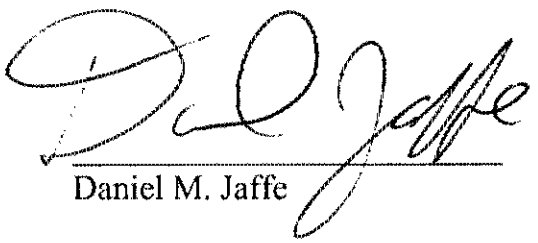
Thomas D. Crowley

Executed on February 12, 2007

CERTIFICATE OF SERVICE

I hereby certify that on this 16 day of February 2007, I caused a copy of the foregoing Opening Third Supplemental Evidence of Complainant AEP Texas North Company to be served by hand delivery on counsel for BNSF, as follows:

Samuel M. Sipe, Jr.
Anthony J. LaRocca
Linda S. Stein
Steptoe & Johnson, L.L.P.
1330 Connecticut Avenue, N.W.
Washington, D.C. 20036-1795



Daniel M. Jaffe